

**CALENDAR ITEM
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**CONSIDER ACCEPTANCE OF THE FULL QUITCLAIM OF
NEGOTIATED SUBSURFACE (NO SURFACE USE)
OIL AND GAS LEASE NO. PRC 7670.1
(15.88 ACRES UNDER THE PIPER SLOUGH),
CONTRA COSTA COUNTY**

LESSEE:

Rio Delta Resources, Inc.
Attn.: Mr. Robert D. Reedy
3600 American River Drive, Suite 220
Sacramento, CA 95864

Mr. Russell H. Green, Jr.
P.O. Box 965
Healdsburg, CA 95448

AREA, LAND TYPE, AND LOCATION:

Oil and Gas Lease No. PRC 7670.1 contains 15.88 acres of tide and submerged lands in the vicinity of the Piper Slough, Contra Costa County, California.

BACKGROUND:

Negotiated subsurface (no surface use) Oil and Gas Lease No. PRC 7670.1 (Lease) was issued to Rio Delta Resources, Inc. on December 17, 1992, and contained 144 acres of tide, submerged and proprietary lands in the bed and vicinity of the False River and Piper Slough in Contra Costa County, California (leased lands). The terms of the Lease required an annual rental of \$40 per acre, currently (\$635.20 for 15.88 acres). The lease had a three-year drilling term. No wells have been drilled on or into the leased lands. On April 13, 1999, the California State Lands Commission (Commission) accepted partial quitclaim of 128.12 acres of the lease leaving 15.88 acres, which was pooled into the "Darby Lynn Pool". The "Darby Lynn Pool" was created for the development and

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production of natural gas. The Darby Lynn gas well last produced in July 2001. The Darby Lynn gas well was plugged and abandoned to Division of Oil, Gas, and Geothermal Resources (DOGGR) standards on May 23, 2002, as shown on Exhibit C, attached hereto.

Public Resources Code section 6804.1 and Lease Paragraph 30 permit the lessee to make at any time a written quitclaim of all rights under the lease or of any portion of the leased lands comprising a ten-acre parcel or multiple thereof in a compact form. The quitclaim will be effective when it is filed with the State subject to the continued obligation of the lessee and its surety to pay all accrued rentals and royalties and to abandon all wells drilled on the leased lands.

On April 12, 2002, the Commission's Long Beach staff received the document "(Full) Quitclaim Deed for State Oil and Gas Lease." This document was dated December 27, 2001, and quitclaims back to the State all of the lessee's right, title and interest in the leased lands described in Exhibit A, attached hereto, of Oil and Gas Lease No. PRC 7670.1 dated December 17, 1992. According to records filed by the operator with the DOGGR, the Darby Lynn gas well was completely abandoned and the location restored on or about May 23, 2002. Neither the drill site, nor any portion of the well was located on State property.

A review of the Commission's files reveals that no default exists on the Lease, that the lessee has complied with all applicable laws and Lease provisions and has paid all rentals (no royalty is due as the leased lands were not developed).

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6804.1 and Lease Paragraph 30.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

EXHIBITS:

- A. Land Description

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- B. Location Map
- C. Division of Oil and Gas Abandonment Report

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

1. ACCEPT FROM RIO DELTA RESOURCES, INC. AND RUSSELL H. GREEN, JR. (LESSEE) THE (FULL) QUITCLAIM DEED FOR OIL AND GAS LEASE, DATED DECEMBER 27, 2001, WHEREIN THE LESSEE QUITCLAIMS TO THE STATE ALL RIGHT, TITLE AND INTEREST IN THE LEASED LANDS DESCRIBED IN EXHIBIT A, ATTACHED HERETO, OF OIL AND GAS LEASE NO. PRC 7670.1, DATED DECEMBER 17, 1992.
2. RELEASE RIO DELTA RESOURCES, INC., AND RUSSELL H. GREEN, JR. FROM ALL OBLIGATIONS UNDER OIL AND GAS LEASE NO. PRC 7670.1 ACCRUING AFTER APRIL 12, 2002, THE FILING DATE OF THE QUITCLAIM DEED.
3. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.